



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2017 Biennium

Bill #	HB0599	Title:	Allow for permanent registration of heavy trucks and truck tractors
Primary Sponsor:	Randall, Lee	Status:	As Amended

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| <input checked="" type="checkbox"/> Significant Local Gov Impact | <input checked="" type="checkbox"/> Needs to be included in HB 2 | <input checked="" type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2016 Difference</u>	<u>FY 2017 Difference</u>	<u>FY 2018 Difference</u>	<u>FY 2019 Difference</u>
Expenditures:				
General Fund	\$4,400	\$0	\$0	\$0
State Special Revenue	\$0	\$0	\$0	\$0
Revenue:				
General Fund	\$2,025,047	\$493,724	(\$294,059)	(\$699,763)
State Special Revenue	\$9,178,552	\$2,640,448	(\$713,700)	(\$2,429,085)
Net Impact-General Fund Balance:	<u><u>\$2,020,647</u></u>	<u><u>\$493,724</u></u>	<u><u>(\$294,059)</u></u>	<u><u>(\$699,763)</u></u>

Description of fiscal impact: HB 599, as amended, would allow permanent registration of heavy vehicles having a manufacturer's rated capacity less than 55,000 pounds. The net revenue impact for both the general fund and the state special revenue fund will be positive in FY 2016 and FY 2017, but will turn negative in FY 2018 and FY 2019.

FISCAL ANALYSIS

Assumptions:

1. The bill allows heavy vehicles having a manufacturer's rated capacity less than 55,000 pounds that are 11 years of age or older to become permanently registered.
2. The analysis presented utilizes vehicle registration data from FY 2014 to estimate the number of heavy trucks eligible for permanent registration in FY 2016, FY 2017, FY 2018, and FY 2019. For the purposes of this analysis, the estimated numbers of heavy trucks eligible for permanent registration are as follows: FY 2016 = 27,073, FY 2017 = 28,093, FY 2018 = 29,117 and FY 2019 = 30,284.
3. The registration numbers in assumption #2 represent the eligible pool of heavy trucks available for permanent registration if no permanent registrations actually occur. Because permanent registrations will occur, the number of vehicles permanently registering due to the provisions of this bill will be less than the numbers above because

as vehicles register they will be removed from the stock of eligible vehicles. See assumptions #7 - #10 for more detail.

4. Revenue occurring from the permanent registration of heavy trucks, as provided for in this bill, is assumed to be deposited in the general fund and the state special revenue fund.
5. Some of the permanent registration fees in HB 599 are calculated based on the gross vehicle weight and/or age of the truck, specifically the fees in 61-3-562 (2) (A) and (B), MCA that are pursuant to the provisions of 61-10-201, MCA and 61-3-529, MCA, respectively. A weighted average fee for each of these separate permanent registration fees is calculated in order to aid in determining the fiscal impact of this bill.
6. It is assumed that 50% of eligible heavy trucks will be registered permanently in FY 2016. This would result in 13,537 heavy trucks with GVW between 2,000 and 54,999 pounds registering in FY 2016 and paying an average permanent registration fee of \$823.
7. In FY 2017, it is estimated there will be 14,556 heavy trucks eligible for permanent registration (27,073 eligible vehicles in FY 2016, minus 13,537 permanent registrations, plus 1,020 trucks becoming eligible). It is assumed that 50% of these trucks will register permanently in FY 2017, with 7,278 vehicles paying an average registration fee of \$823.
8. Heavy trucks eligible for permanent registration in FY 2018 are estimated to number 8,302 trucks. Fifty percent of these trucks are assumed to register permanently in FY 2018, resulting in 4,151 vehicles paying an average fee of \$823.
9. In FY 2019, 5,318 heavy trucks are estimated to be eligible for permanent registration. It is assumed that 50%, or 2,659 will register permanently, and pay an average fee of \$823.
10. It is assumed that fee revenue from 61-3-562 (2) and 61-3-562 (2)(A) of HB 599 will be deposited to the state general fund. Revenue from the fees provided for in 61-3-562 (2) (B) and (C) is assumed to be credited to the state special revenue fund.
11. Due to permanent registrations, there will be forgone revenue starting in FY 2016 due to the ceased payment of certain annual registration fees. The annual registration fee pursuant to 61-3-321 (6), MCA, along with the fee outlined in 61-3-529, MCA, will no longer be paid once a truck is permanently registered.
12. In FY 2016 and FY 2017, revenue from the fees associated with permanent registrations will offset the revenue losses occurring from the reduction in annual registration fees paid by heavy trucks. However, in FY 2018, FY 2019, and beyond the ongoing losses from forgone annual registration fee revenue will outweigh the gains from permanent registration revenue, resulting in losses to both state special and general fund revenue in these years.
13. Revenue losses from forgone annual registration fee in the out years will impact the solvency of the state special revenue fund administered by the Montana Department of Transportation. These negative revenue impacts will be exacerbated as the years go by due to a relatively small pool of permanent registration revenue being used to offset losses from a comparatively larger pool of forgone annual registration revenue.
14. Upon permanent registration, heavy trucks are required to pay five times the fee in 61-3-321 (20), MCA, for deposit into the account established in 44-1-504, MCA, used for pay and retention funding for the Montana Highway Patrol. The account will see increased revenue in FY 2016 and FY 2017, and then decreased revenue in FY 2018 and FY 2019 as shrinking permanent registrations don't provide enough revenue to offset forgone fees from annual registrations. The net revenue impact to the account is estimated to be as follows: \$270,730 in FY 2016, \$77,883 in FY 2017, -\$21,051 in FY 2018, and -\$71,648 in FY 2019.
15. It is estimated that 40 hours of computer programming will be required at an hourly rate of \$110.00 for a total cost of \$4,400.

	<u>FY 2016 Difference</u>	<u>FY 2017 Difference</u>	<u>FY 2018 Difference</u>	<u>FY 2019 Difference</u>
<u>Fiscal Impact:</u>				
<u>Expenditures:</u>				
Operating Expenses	\$4,400	\$0	\$0	\$0
TOTAL Expenditures	<u>\$4,400</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>Funding of Expenditures:</u>				
General Fund (01)	\$4,400	\$0	\$0	\$0
State Special Revenue (02)	\$0	\$0	\$0	\$0
TOTAL Funding of Exp.	<u>\$4,400</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>Revenues:</u>				
General Fund (01)	\$2,025,047	\$493,724	(\$294,059)	(\$699,763)
State Special Revenue (02)	\$9,178,552	\$2,640,448	(\$713,700)	(\$2,429,085)
TOTAL Revenues	<u>\$11,203,599</u>	<u>\$3,134,172</u>	<u>(\$1,007,759)</u>	<u>(\$3,128,848)</u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	\$2,020,647	\$493,724	(\$294,059)	(\$699,763)
State Special Revenue (02)	\$9,178,552	\$2,640,448	(\$713,700)	(\$2,429,085)

Effect on County or Other Local Revenues or Expenditures:

1. There will be a significant decrease in county option taxes in the out years. The amount would vary county by county according to the county option tax rate.

Long-Term Impacts:

1. Both the state special revenue fund and the general fund would lose revenue in each successive year following FY 2017.

Technical Notes:

1. This bill directly impacts the solvency of the Montana Highway Patrol pay and retention fund starting in FY 2018 due to the reduction in revenue.
2. In section 7, subsection 2(C) on the first line, 61-3-321 (2) needs to be changed to 61-3-321 (20). This subsection aims to reference the \$5 fee deposited to the Montana Highway Patrol account, which is outlined in 61-3-321 (20), MCA.

<hr/> <i>Sponsor's Initials</i>	<hr/> <i>Date</i>	<hr/> <i>Budget Director's Initials</i>	<hr/> <i>Date</i>
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